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FISCAL IMPACT STATEMENT

LS 6736

BILL NUMBER: HB 1496

NOTE PREPARED: Feb 24, 2005

BILL AMENDED:

SUBJECT: Wheel tax and excise surtax exemption.

FIRST AUTHOR: Rep. Dvorak

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a county may adopt an ordinance to exempt a vehicle owned by a person who is at least 65 years of age and whose state adjusted gross income does not exceed \$25,000 from the wheel tax, the license excise surtax, or both.

Effective Date: July 1, 2005.

Explanation of State Expenditures: (Revised) The Bureau of Motor Vehicles (BMV) reports that the county will be required to certify registrants. The proof of age and proof of income will be taken to the county auditor. The county auditor will issue an exemption certificate for each registrant or combination of registrants. The certificate will have additional identifying information so the license branch can confirm the qualification. This is similar to the Disabled Veteran credit forms. When the license branch is presented with the document, the Wheel Tax or Surtax will be deleted from the registration transaction.

Explanation of State Revenues: (Revised) If all the counties adopt this exemption, there will be a minor revenue loss to the Bureau of Motor Vehicles Commission (BMVC), estimated at \$3,440. This is based on 1% of all Surtax and Wheel Tax service fees. The BMVC retains a \$0.15 service fee for each Surtax or Wheel Tax collection. This will impact the state License Branch Fund which supports the approximately 168 license branches throughout the state.

Explanation of Local Expenditures: (Revised) See State Expenditures.

Explanation of Local Revenues: The impact depends on the number of counties that choose to exempt a

vehicle owned by a person who is at least 65 years of age and whose state adjusted gross income does not exceed \$25,000 from the Wheel Tax or the Motor Vehicle Excise Surtax, or both. As of CY 2003, 26 counties had adopted the Wheel Tax and the Motor Vehicle Excise Surtax. According to the 2000 Census, approximately 10.86% of Indiana's population is over age 65 and has income less than \$25,000 per year. The Wheel Tax and Motor Vehicle Excise Surtax collections for CY 2003 were \$33,965,596. The average growth in the last four years has been about 2.3%. Assuming a similar growth in the future, the maximum reduction in revenue for CY 2006 would be about \$3.95 M if all counties adopted the ordinance.

Background: The county auditor allocates money in the Excise Surtax and Wheel Tax Fund to each city, town, and the county based on the formula for the Local Road and Street Account. Revenue is used to construct, reconstruct, repair, or maintain streets and roads.

State Agencies Affected:

Local Agencies Affected: Cities, towns, and counties.

Information Sources: Indiana Handbook of Taxes, Revenue, and Appropriations; Jane Morrical, Director of Treasury, Bureau of Motor Vehicles, 317-232-2822.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.